Working with F&A at UVA

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By the end of this session you should be able to solve this problem:

- Your PI is writing a proposal for an $800,000 grant. This is the total amount the sponsor is willing to pay for both direct and F&A costs all together. This will be an Organized Research activity.
- The F&A rate for Organized Research is currently 50% and will be 50% for the life of the grant.
- Among the costs the PI expects to spend are: Tuition remission = $5,000; Capital Equipment = $21,000; Travel = $2,000; Subcontracts = $29,000; Supplies = $3,000.
- You work in a SoM clinical department that returns the department share of F&A to the PI.
- The PI wants to know how much F&A he will get.

As well as being able to find reports on F&A, find the table that shows where all the F&A goes, and calculate your department’s share of F&A.

Before we get to specifics, we’ll first go over what F&A is and how the F&A rate is calculated.
The use of these acronyms follow federal costing guidance set forth in Title 2 Code of Federal Regulations, Part 200.

F&A is also known as overhead costs.

DR is research that is paid for by departmental money. Often these funds provide bridge, gap, or start-up support for a PI.

GA is for University-wide functions only. The President’s Office, Executive VP & Chief Operating Officer’s units, the General Counsel’s office, HR, and Procurement are examples of GA.

DA is Departmental Administration and includes projects for the operation of the Deans’ offices in each school, such as SOM, A&S, SEAS, and Curry.

UR is University-sponsored research.
Why an F&A Cost Rate?

- It is federal policy to provide for the reimbursement of F&A costs except when specific limitations and prohibitions exist
- This is accomplished through use of an F&A rate
- The cognizant agency negotiates and approves the F&A rates for an educational institution on behalf of all Federal agencies

DHHS, Dept. of Health and Human Services is our cognizant agency

“F” stands for Facilities

“A” stands for Administrative
I will go over these in more detail later.

The point is that these are costs that the University has already paid for and the government is reimbursing us for what they consider their fair share of the costs that we incurred.
This is the slide I borrowed from OSP and made a few changes. You can see the F&A costs on the left.

The F (blue) are Facilities costs and the A (orange) are Administrative costs paid for upfront by UVa.

On the right are some of the types of costs that go into the base.

We divide the F&A costs associated with research by the research base to get the F&A rate. The fraction is expressed as a percent.

These are the approximate amounts what we ended up with after our last negotiation.
There are four bases. These represent the major functions of the University. They are broadly defined by 2 CFR 200, Appendix III (formerly OMB Circular A-21) and specifically defined as submitted in our F&A Rate Proposal. They are **Instruction**, which includes sponsored instruction in the rare instances that we have any, **Organized Research (OR)**, which is sponsored programs that are not SI or OR, and **OSA**.

Instruction also includes DR. Most often, DR is research funded by F&A recoveries or other departmental funds, such as gift money.

**OR** includes SR and Research Training, but also **UR**. UR is projects that must be applied for in a manner similar to outside-sponsored projects, there is usually a reporting requirement also. Examples are FEST and CMC.

Cost sharing is also part of the OR base because the federal guidance directs us to add cost share to the denominator.

Remember that the F&A rate is a fraction. The base is the bottom part of the fraction. When the denominator increases, the rate goes down.

This is part of why we don’t like cost sharing – it decreases our F&A rate.

Not only do we provide cost share free of charge, but we don’t collect F&A on those costs, then it lowers our F&A rate for all the grants!
This slide shows what the F&A rate is applied to, what we multiply the percent against. These are the costs that are charged directly to the grant PTAE0.

Note that only the first $25,000 of subcontracts is included in the base.

The subcontract costs over $25,000 are excluded from the base.

So, who is it that is responsible for insuring F&A is charged on only the first $25,000? It is the fiscal tech at the department who is responsible for changing the expenditure type on the subcontract project from “Svcs, Subcontracts, Spon Prgm” to “Svc, Subcontracts, OSP No F&A”

The new item is the participant support costs which are stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (not employees) for conferences or training projects.

Keep all of these “base exclusions” in mind. You will need to remember them in order to solve the problem from slide 2.
How is the F & A Calculation Done?

- Start with Financial Statements – Operating Expenses
- Adjustments – Unallowable costs, Interest, etc.
- Map to 2 CFR 200, Appendix III Pools and Bases (formerly OMB Circular A-21)
- Allocate Pools
- Summarize Pool Allocations to Each Base
- Calculate Rates

The 58% F&A rate that we now use was calculated based on the costs incurred in FY10.

Not to be confused with the “base” that is used as the denominator in the calculation of the rate.

We use only the operational expenses from the Financial Statements. This means that if you are paid from YY, then I don’t pick up your salary or fringe.

We adjust not just unallowable costs, but other adjustments.

Divide all the costs into the pools and bases. We had about $1.1 billion dollars in operating expenses in FY10.

Then we allocate the cost pools to the cost bases. The F is based on asf, the library on FTE or special study, and the A on MTC of the activities that benefit.

Now we know how much depreciation is allocated to OR, how much GA, interest, etc., for all the cost pools on the left of that OSP slide. The same for all four bases.

Do the math and we have the F&A rates.
So here’s an example. These are the dollar amounts that we submitted for FY10. The Allocated Dollars here are the F&A cost pool dollars. We divide each of these by the appropriate base (OR MTDC of all organized research for the admin components, OR MTDC for just on-grounds organized research) and that gives us the rate for each component. Add them all up and we get the calculated F&A rate.

You see that comes out to 63%. Did we get a 63% rate? No.

The administrative components, the “A” is capped at 26% - there goes 4.6 points right there (one point is about $1M/year). Then we have to negotiate and we end up with something significantly less than what we submitted.

One other point – office supplies are an administrative expense and therefore recovered from and charged to grants through the F&A rate. So, is it right to, also, charge the same cost directly to a grant? No. This is double-charging the sponsor for the same thing.
Remember, UVa has multiple F&A rates with multiple subcomponents.

So these are the percentages that are multiplied times salary cost, fringe benefit cost, lab supply cost, travel, etc. that is spent on the grants. This F&A amount that Oracle puts onto the grants as a cost is charged along with the direct costs to the sponsors on their invoices or whatever they get.

Using the auto-accounting in Oracle, we record these amounts as F&A revenue. This revenue (actually reimbursement or recovery) is distributed to various offices within the University using the F&A distribution allocation percentages. We’ll look at those after our break.

So don’t get these two kinds of percentages mixed up – the percent that is the F&A rate versus the percent that is how much your department gets.

The link is to OSP’s web page where you can get to a pdf of the actual rate letter from DHHS.

After the break we’ll get into reports you can use and calculating your F&A.
This is the F&A web page. You can get to it by typing F&A Distribution into the Search UVa block that’s at virginia.edu home page, be sure to select the “Web” button.

1) There’s a link to the F&A Distribution – Percentage Allocations: There are instructions on how to make this add up to 100%.

Remember the percents on this report drive the amount of the F&A that goes to various departments. This is completely different from 58% that is multiplied times MTDC to figure out how much F&A is being charged to the grant. Two different percents of two different things.

2) There’s a link to the Installment and Distr Rpt: This report will show how much F&A was brought into the University by all the grants in your department.

There are five tabs in this report.

the “Installment and Distr Rpt” translates the Percentage Allocations into the dollars that are distributed to the revenue projects.

3) There’s a link to the By Projects Rpt: This report shows the amount of F&A that is distributed to the Dean, Dept, and Other for both YTD and the current month.

There are six tabs in this report.

There are also a link to the FAQ.
These are the F&A distribution percents that are in effect until we determine how to distribute 100% of F&A to the earning school.

If you’re in the College:
- 27.8% goes into central and gets mixed in with all the other state budgets dollars,
- 10.9% goes to the VPR to support research initiatives and operate his office,
- 2.28% goes to ITC to support the computing infrastructure,
- 3.7% goes to the VP & CFO to help support OSP and Financial Administration,
- 2.89% goes to Alderman library,
- 16.6% goes to a reserve for capital projects,
- 19.05% goes to the Dean of A&S
- 16.78% goes to the department.

If you’re in SoM, you need to know if you are a clinical department (29.405%) or not because the Dean directed that the distributions will be different.

If you’re in Engineering, the distribution of the 35.83% is divided differently since 5.5% of the F&A is distributed to pay the O&M costs on Wilsdorf Hall.

For Curry, if you’re a center or a department your distribution is different.
This is the Monthly Distribution and Installment report.

1- Recoveries shows the recoveries by month for each department. Departments with more than one Org number are grouped together, but you can see the detail by expanding the subtotal level. This report could be useful if your chair wanted to demonstrate how much F&A revenue his department was contributing to the University.
2-Dept Dist shows the distribution to each department. This is useful for you to see how much your department has in F&A recoveries in your FA revenue project. If your installment is less than the amount in your revenue project, you can ask John Wallace-Smith to increase your installment to the YTD amount.
3-Deans Dist shows the distribution to each Dean by how much each of their departments contributed.
4-Dist shows the distribution of all F&A each month to the various offices that receive a share.

Warning: Dividing the “State Total” dollars and by the bottom sum to figure out the percentage allocation doesn't work. There are some orgs that have a different percentage going to this distribution target than other orgs. For instance, remember that UVA Wise was 30% state, 20% governor and 50% school. For most other units, the State is 27.8%
5-Install, the fifth tab, shows the amount on the current year installment as of the end of the previous month.
We call this the "By Project" report because it shows the F&A by project. There are six tabs in this Excel file.

You can find the F&A for the Dept, the Dean, and Other for either year-to-date amounts or for just the current month.

1-Dept YTD, 2-Dean's YTD, 3-Other-YTD, 4-Dept Curr Month, 5-Dean's Curr Month, 6-Other Curr Month

The Dept and Dean tabs are self-explanatory. The Other tabs are for the third F&A component for Engineering. They use the 5.5% to pay for O&M on Wilsdorf Hall. SEAS is the only school that has a third subdivision within the 35.83% of F&A distributed to the school.

This is the report without applying filters.

Let's look at the same grant GQ10057, project 148496.

You can see the $2,571.56 of F&A that was charged to the grant during Nov-15. You can see how I multiplied that amounts times the percentage that Physics get to calculated the departments share of F&A, $431.51.
By using the filters, You can see all the grants for one PI, in this case Blaine Norum.
or all grants for one Org, here it’s 31875 Physics.
or all grants for a select a group of orgs, both 31875 Physics and 31885 Psychology.
The PI Funds Available Report is probably impossible to read, but it’s the concepts that matter, not the specifics.

You can find it in the ISWEB GA_PI_Reconciliation_Reports workbook in Discoverer. The period is Nov-15 and the project is 148724.

Let’s just look at the “Expenses This Period” column. In the first row with amounts in it, the budget category is equipment and the amount is $70,117.34. Then there is a subtotal that says, “direct cost not subject to F&A”. Remember- Capital Equipment is a MTDC exclusion, so no F&A is charged to this expenditure type.

Then there are amounts in four budget categories that subtotal to $51,950.00 for the group called “direct cost subject to F&A”.

So this report makes it pretty easy, it even tells us the F&A rate up in the heading. It’s 58%.

We multiply that times the “direct cost subject to F&A” amount and get $30,131 for F&A. It’s not the same to the penny because F&A is applied to each individual transaction that makes up the $30,130.98.

We don’t multiply times the “direct cost not subject to F&A”.

### Table: PI Funds Available Report

<table>
<thead>
<tr>
<th>Budget Category</th>
<th>Direct Cost not subject to F&amp;A</th>
<th>Direct Cost subject to F&amp;A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment</td>
<td>$70,117.34</td>
<td>$30,130.98</td>
</tr>
<tr>
<td>Personnel Costs</td>
<td>$3,591.35</td>
<td>$4,035.00</td>
</tr>
<tr>
<td>Materials</td>
<td>$3,900.00</td>
<td>$3,900.00</td>
</tr>
<tr>
<td>Other Services</td>
<td>$9,770.00</td>
<td>$9,770.00</td>
</tr>
</tbody>
</table>

Total Direct Cost  
30,130.98 + 4,035.00 + 3,900.00 + 9,770.00 = $51,950.00

F&A Rate: 58%

$51,950.00 x 58% = $30,130.98

December 9, 2015
For comparison, this is the PI Expenditure Detail report for the same project and same month.

You can find it in the Discoverer ISWEB GA_PI_Reconciliation_Reports workbook.

The total is still $152,198.32.

This report provides detail about each expense charged to a grant.

But it doesn't help us identify which costs cannot be burdened with F&A.
In searching for a good example for this session I also found this PI Funds Available Report. The period is Nov-15 and the project is 145022.

It says Subcontracts/Subawards is $6,782.07 this period and that is the amount subject to F&A.

But 58% of $6,782.07 is $3,933.60, not the $2,866.30 of F&A cost that this report shows for the current period.

What’s wrong here?

Remember only the first $25,000 of subcontract costs is subject to F&A.

If we look at expenses-to-date we see that there has been $26,840.17 in subcontract costs on this project. So the last $1,840.17 should not be subject to F&A.

We can see that expenses-to-date $14,500 of F&A has been applied and that is 58% of $25,000.

It took $2,866.30 from this period to get us to $14,500. If we take a look at the Expenditure Detail by Project Report it is easier to see what has happened.
This report shows how project 145022 stopped charging F&A on subcontract costs at $25,000 when set up correctly.

You can find it in the ISWEB GA_Project_Reconciliation_Reports workbook in Discoverer.

The first item is subject to F&A as it falls below the $25,000 level for applying F&A. The expenditure type is “Svcs, Subcontracts, Spon Prgm”.

You see the second item uses the expenditure type “Svcs, Subcontracts, OSP No F&A”.

In slides 22 and 23, we saw that the PI Reports (Funds Avail and Expend Detail) do NOT show this level of detail.

The two Subcontract items add up to the $6,782.07 that we saw on the previous PI Funds Available Report.

This Detail Expenditures by Project Report shows the two different types of Svcs, Subcontracts Expenditure Types that we currently have.

From this point on for this grant, I would expect to see only Svcs, Subcontracts, OSP No F&A being charged to this project and no additional F&A.
You’ve seen where the F&A rate comes from. You’ve seen how this rate is applied to grants and contracts. We just looked at reports that tell you how much your department gets of that F&A. Now we’ll talk about how you get to spend the F&A.

This is the GA award management screen in the Integrated System. Award Managers use this screen to fund projects with F&A funds.

We create one installment row per fiscal year which we adjust as the year progresses.

Your F&A revenue project in the GL should always have exactly the amount of F&A based on the allocation percentage for your org. The amount will be a credit to object code 4416, F&A revenue. There’s a monthly process called mass allocations that posts the money in the IS.

Your Installment, however, doesn’t usually have exactly that amount in it. In July following the end of a fiscal year, the installment should match the amount for June 30 in the GL, but during the year it won’t usually match.

John Wallace-Smith does an initial installment in July at the beginning of the fiscal year that is based on approx. 75% of your last year’s F&A. The initial installment is not 100% because we don’t know the Y-E amount. We estimate on the low side to avoid making extra work for you to un-budget and un-fund your installment in order to reduce it.

In February, John makes the installment equal to the January month end amount. Then in July he makes it equal to the fiscal year total. So you get two installments in July, unless you’re small. We don’t do initial installments for small amounts. You can always contact John if you want to increase an installment.
Here is a report that the University Budget Office developed.

It can be helpful in figuring out if you have some F&A that needs to be funded or budgeted.

You run this from the Discoverer ISWEB GA_Analysis Reports workbook.
Let’s see how we can apply some of what we’ve learned.

Let’s say your PI knows that he needs a $25,000 piece of equipment and $100,000 in other costs (salaries, FB, supplies) to do some research and he wants to apply for a grant to pay for this.

This sponsor will pay only 40% F&A.

What is the Total Cost that he needs to budget in the grant proposal?
Here’s a similar problem, but it uses subcontract costs.

What are the exclusions? Equipment, Subcontract costs > $25,000, Patient care, Tuition Remission, Scholarships/Fellowships, Renting space, and participant costs.

The subcontract costs make the problem trickier. There is F&A on the first $25,000, but not on the rest.
Now we’re adding another layer of complexity.

This sponsor has $500,000 to award, but that’s the total.

We need to solve for both MTDC and F&A.

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**Applying the F&A Rate – Problem 3**

- F&A Rate = 50%
- Research project total award from sponsor = $500,000
- Subcontract costs = $150,000
- How much is MTDC? How much is F&A?

<table>
<thead>
<tr>
<th>Total award = total direct + total F&amp;A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total award = (MTDC + exclusions) + (MTDC x F&amp;A rate)</td>
</tr>
<tr>
<td>$500,000 = (MTDC + $125,000) + (MTDC x 50%)</td>
</tr>
<tr>
<td>$500,000 - $125,000 = MTDC + (MTDC x 0.50)</td>
</tr>
<tr>
<td>$375,000 = (MTDC x 1) + (MTDC x 0.5)</td>
</tr>
<tr>
<td>$375,000 = MTDC x (1.50)</td>
</tr>
<tr>
<td>MTDC = $375,000 / 1.50 = $250,000</td>
</tr>
<tr>
<td>F&amp;A = MTDC x F&amp;A rate = $250,000 x 50% = $125,000</td>
</tr>
</tbody>
</table>
To solve this problem, we need to know the MTDC exclusions and the allocation percentage for SOM clinical departments.
The Solution

- Total grant available = $800,000
- How much F&A does PI get?
- Exclusions from MTDC: Tuition remission = $5,000; Subcontracts = $29,000 - $25,000 = $4,000; Equipment = $21,000
- Total Exclusions = $30,000

<table>
<thead>
<tr>
<th>Equation</th>
<th>Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total available</td>
<td>total direct + total F&amp;A</td>
</tr>
<tr>
<td></td>
<td>(MTDC + exclusions) + (MTDC x F&amp;A rate)</td>
</tr>
<tr>
<td>$800,000</td>
<td>(MTDC + $30,000) + (MTDC x 58%)</td>
</tr>
<tr>
<td>$800,000 - $30,000</td>
<td>MTDC + (MTDC x 0.58)</td>
</tr>
<tr>
<td>$770,000</td>
<td>MTDC x (1.58)</td>
</tr>
<tr>
<td>MTDC = $770,000 / 1.58</td>
<td>$487,342</td>
</tr>
<tr>
<td>F&amp;A = MTDC x F&amp;A rate</td>
<td>$487,342 x 58% = $282,658</td>
</tr>
<tr>
<td>PI (dept share) = $282,658 x 29.405% = $83,116</td>
<td></td>
</tr>
</tbody>
</table>

How much F&A will be returned to the PI when the allocation percentages are applied by Oracle?
A Different Perspective with the Same Facts

- Total grant available = $800,000
- How much is available for direct costs?
- Exclusions from MTDC: Tuition remission = $5,000; Subcontracts = $29,000 - $25,000 = $4,000; Equipment = $21,000
  Total Exclusions = $30,000

<table>
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<td>Total available = total direct + total F&amp;A</td>
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<td>$800,000 = (MTDC + $30,000) + (MTDC x F&amp;A rate)</td>
</tr>
<tr>
<td>$800,000 - $30,000 = (MTDC x 1) + (MTDC x 0.58)</td>
</tr>
<tr>
<td>$770,000 = MTDC x (1 + 0.58)</td>
</tr>
<tr>
<td>MTDC = $770,000 / 1.58 = $487,342</td>
</tr>
<tr>
<td>Total-directs = MTDC + exclusions</td>
</tr>
<tr>
<td>Total-directs = $487,342 + 30,000 = $517,342</td>
</tr>
</tbody>
</table>

Now solve for the Total Direct Costs which are more than just MTDC.
Information and Contacts

http://www.virginia.edu/finance/finanalysis/


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